



**PRIMA CHECK CASHING INC.**

Financial Statements

December 31, 2001

**CONFIDENTIAL**  
**JPMC 019123**

PRIMA CHECK CASHING INC.

December 31, 2001

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*Ambrose & Savolskis LLP*

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Stockholders  
Prima Check Cashing Inc.

We have audited the accompanying balance sheet of Prima Check Cashing Inc. (an S Corporation), as of December 31, 2001 and the related statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the management of Prima Check Cashing Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prima Check Cashing Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ambrose & Savolskis LLP*

Red Bank, New Jersey  
March 30, 2001

**CONFIDENTIAL**  
**JPMC 019125**

## PRIMA CHECK CASHING INC.

## Balance Sheet

December 31, 2001

## ASSETS

Current assets	
Cash on hand	\$ 3,372,035
Cashed checks on hand	618,037
Cash in bank	1,983,286
Notes and other receivables	256,631
Accounts receivable	199,913
Marketable securities	68,497
Returned checks on hand	60,988
Prepaid expenses	<u>166,924</u>
Total current assets	<u>6,726,311</u>
Fixed assets - at cost, less accumulated depreciation and amortization	<u>6,540,502</u>
Due from affiliates	<u>866,776</u>
Other assets	
Intangibles, net of amortization	1,917,493
Security deposits	90,924
Notes receivable	<u>32,912</u>
Total other assets	<u>2,041,329</u>
Total assets	<u>\$ 16,174,918</u>

**CONFIDENTIAL**  
**JPMC 019126**

Continued

## PRIMA CHECK CASHING INC.

## Balance Sheet - continued

December 31, 2001

## LIABILITIES and STOCKHOLDERS' EQUITY

Current liabilities	
Short-term borrowings	\$ 1,952,000
Accounts payable and accrued expenses	1,347,513
Due to third party agents	880,619
Current portion of long term debt	926,061
Deferred income taxes	<u>3,478</u>
Total current liabilities	<u>5,109,671</u>
Long-term debt	<u>6,807,647</u>
Deferred income taxes	<u>31,963</u>
Loans from stockholders	<u>1,165,238</u>
Commitments and contingencies	
Total liabilities	<u>13,114,519</u>
Stockholders' equity	
Common stock - no par value; 100 shares, issued and outstanding	50,000
Additional paid-in capital	1,750,000
Retained earnings	1,334,649
Unrealized loss on marketable securities	<u>(74,250)</u>
Total stockholders' equity	<u>3,060,399</u>
Total liabilities and stockholders' equity	<u>\$ 16,174,918</u>

See independent accountants' report and notes to financial statements.

## PRIMA CHECK CASHING INC.

## Statement of Income and Retained Earnings

Year Ended December 31, 2001

Operating revenues	<u>\$ 5,853,355</u>
Operating expenses	
Store and administrative	4,854,775
Officer's salaries	<u>72,322</u>
Total operating expenses	<u>4,927,097</u>
Income from operations	926,258
Depreciation and amortization	(477,852)
Bad check write off	(254,449)
Provision for income taxes	<u>(13,705)</u>
Net income	180,252
Retained earnings - beginning of year	<u>1,154,397</u>
Retained earnings - end of year	<u>\$ 1,334,649</u>

See independent accountants' report and notes to financial statements.

## PRIMA CHECK CASHING INC.

## Statement of Cash Flows

Year Ended December 31, 2001

Cash flows from operating activities	
Net income	\$ 180,252
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	477,852
Changes in operating assets and liabilities	
Accounts receivable	(12,230)
Returned check on hand	54,994
Prepaid expenses	(71,865)
Due from affiliates	(2,453,353)
Accounts payable	(339,264)
Due to third party agents	(53,975)
Deferred income taxes	(2,953)
Total adjustments	(2,400,794)
Net cash used in operating activities	(2,220,542)
Cash flows from investing activities	
Purchase of fixed assets	(725,671)
Collection on notes receivable	16,601
Decrease in security deposits	2,190
Net cash used in investing activities	(706,880)
Cash flows from financing activities	
Proceeds from long term debt	4,300,000
Payments on long term debt	(585,972)
Payments on short-term borrowings	(5,048,000) ✓
Net cash used in financing activities	(1,333,972)
Net decrease in cash and cash equivalents	(4,261,394)
Cash and cash equivalents - beginning of year	10,234,752
Cash and cash equivalents - end of year	\$ 5,973,358
Supplemental disclosures of cash flows information	
Interest paid	\$ 580,932
Income taxes	\$ 13,705

See independent accountants' report and notes to financial statements.

PRIMA CHECK CASHING INC.

Notes to Financial Statements

December 31, 2001

Note 1 – Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared to reflect the presentation required by the New York State Banking Department for regulatory purposes.

Cash and cash equivalents

Cash includes cash in banks, deposits in transit and cash on hand at store locations. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of three months or less and present insignificant risk of changes in value because of changes in interest rates.

Concentration of credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with financial institutions. At times such investments may be in excess of the FDIC insurance limits.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line and accelerated methods. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the underlying lease term. Expenditures for maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably extend its useful life, are charged against revenue as incurred. When depreciable assets are sold or otherwise returned from service, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the result of operations.

Income taxes

The Company has elected to be treated as an "S" Corporation for Federal and New York State purposes. Accordingly, any income is taxed to the stockholder directly. New York City does not recognize "S" Corporation status and, accordingly, a tax provision is recorded by the Company in the accompanying statements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.



## PRIMA CHECK CASHING INC.

## Notes to Financial Statements - Continued

December 31, 2001

## Note 2 - Property and equipment

Property and equipment consists of the following

Furniture, fixtures and equipment	\$ 4,295,471
Leasehold improvements	<u>3,375,986</u>
Total cost	7,671,457
Less accumulated depreciation	<u>1,130,955</u>
Net fixed assets	<u>\$ 6,540,502</u>

## Reclassifications

Certain items included in the 2000 financial statements, as originally issued, have been reclassified to conform to the 2001 presentation.

## Note 3 - Intangible assets

The covenant not-to-compete with a former owner is amortized on the straight-line method over 15 years. Goodwill represents the excess cost of the company acquired over the fair market value of the net assets at date of acquisition and is being amortized on the straight line method over 15 years. Restrictive covenant with a former owner is amortized on the straight-line method over the ten-year term of the agreement.

## Note 4 - Long term debt

Notes payable consist of the following:

Loan payable Traveler's Express Co., due on October 1, 2005. Interest is based upon volume of money orders sold at a rate above the original money order cost.	\$ 3,400,000
Loan payable Traveler's Express Co., due on October 1, 2002. Interest is based upon volume of money orders sold at a rate above the original money order cost.	100,000
Note payable to Mount Vernon Money Center, due December 2003, payable in monthly installments of \$16,139, including interest at 9.0%, collateralized by two check cashing establishments.	353,288
Note payable to GNC Check Cashing Corp., due February 2004, payable in monthly installments of \$8,354, including interest at 8.0%, collateralized by one check-cashing establishment.	273,120

## PRIMA CHECK CASHING INC.

## Notes to Financial Statements

December 31, 2001

## Note 4 Long-term debt - continued

Interest-free note payable to Donato and Antoinetta Colasuonno, the parents of the shareholders of Prima Check Cashing Inc., total of which is considered long-term because for payment is not expected within the current year.

339,860

Note payable to JP Morgan Chase bank, due July 2006, payable in fixed monthly installments of \$73,315, including interest at 9.25%, collateralized by the assets of the Company.

3,267,440

Total long-term debt

7,737,708

Less current portion

92,606

Non-current portion

\$ 6,807,647

As of December 31, 2001, the maturities of notes payable are as follows

2002	\$ 926,061
2003	952,662
2004	816,561
2005	4,200,603
2006	837,821
Thereafter	-
Total	<u>\$ 7,733,708</u>

## Note 6 - Due to third party agents.

This amount represents the final week of 2001's liability to Travelers Express Co. for money orders sold as an agent of said company, the final week of 2001's liability to Cash Point, Inc. for utility payments received but not remitted as of December 31, 2001 and the final weeks liability to Western Union Financial Services, Inc. for monies received but not remitted as of December 31, 2001. This is a normal transaction during the course of doing business.

## Note 7 - Short-term borrowings

The Company has an line of credit with the JP Morgan Chase Bank which allows it to draw against checks deposited. Interest is charged at the bank's prime rate plus 2.5%

PRIMA CHECK CASHING INC.

Notes to Financial Statements

December 31, 2001

Note 7 - Related Party Transactions

Loans from stockholders

This is an interest-free loan from the stockholders to Prima Check Cashing, Inc. The outstanding balance has been classified as a long-term liability because repayment is not anticipated within the current year. The balance as of December 31, 2001 is a \$1,165,238 of which \$1,165,238 is subordinated to The Chase Manhattan Bank.

Due to/from affiliates

American Armored Car, Ltd. is 100% owned by the shareholders of Prima Check Cashing, Inc. At December 31, 2001 the balance due from American Armored Car, Ltd. is \$1,331,530.

Monetary Systems, Inc. is 100% owned by the shareholders of Prima Check Cashing, Inc. At December 31, 2001 the balance due from Monetary Systems, Ltd. is \$225,000.

American Gun & Uniform Supply, Inc. is 100% owned by the shareholders of Prima Check Cashing, Inc. At December 31, 2001 the balance due from American Gun & Uniform Supply, Inc. is \$74,762.

Prima Leasing, Inc. is 100% owned by the shareholders of Prima Check Cashing, Inc. At December 31, 2001 the balance due from Prima Realty, Ltd. is \$15,235.

Prima Realty, Inc. is 100% owned by the shareholders of Prima Check Cashing, Inc. At December 31, 2001 the balances due from Prima Realty, Ltd. is \$11,700.

Auto expense

Included in auto expense are lease payments amounting to \$75,900 to Prima Leasing, Inc.

Rent expense

Included in rent expense are rental payments amounting to \$54,200 to Prima Realty, Inc.

Money expense

Included in money transport are payments amounting to \$45,872 to American Armored Car, Ltd.

Colasuonno & Colasuonno

Included in managements fees are payments amounting to \$92,000 to Colasuonno & Colasuonno.

PRIMA CHECK CASHING INC.

Notes to Financial Statements

December 31, 2001

Note 8 – Provision income taxes

Provision for income taxes consists of

Current tax expense	\$ 17,283
Deferred tax recovery	<u>(3,578)</u>
Income tax expense	<u>\$ 13,705</u>

SUPPLEMENTARY INFORMATION

## PRIMA CHECK CASHING INC.

## Schedule of Income and Expenses

Year Ended December 31, 2001

Operating revenues	
Check cashing fees	\$ 4,526,153
Money order fees	571,007
Western Union fees	374,122
Utility fees	121,159
EBT fees	97,911
Metro card fees	8,450
Telephone fees	63,893
ATM fees	36,876
Miscellaneous income	<u>53,784</u>
Total operating revenues	<u>\$ 5,853,355</u>
Store and administrative	
Salaries	\$ 1,613,252
Interest expense	580,932
Rent	446,564
Bank service charges	597,219
Insurance	313,708
Payroll tax expense	158,567
Telephone	141,699
Store expenses	56,741
Light, heat and power	73,491
Office supplies	38,727
Professional fees	115,250
Shortages	27,958
Advertising and dues	18,653
Equipment rental	22,779
Cleaning and maintenance	19,846
Auto expense	164,033
Money transport	45,872
Repairs	36,955
Travel & entertainment	10,684
Hospitalization	69,991
Miscellaneous administration	42,107
Subscriptions	18,808
Contributions	6,800
Money transmission fees	234,139
Administration expense	<u>-</u>
Total store and administrative	<u>\$ 4,854,775</u>

See independent accountants' report.